

Message Text

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ACTION EB-11

INFO OCT-01 NEA-10 ADP-00 COME-00 OMB-01 EUR-25 CIAE-00

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R 091236 Z MAY 73

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 6617

INFO AMEMBASSY ABU DHABI

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FROM REGIONAL ECONOMIC OFFICER

E. O. 11652: GDS

TAGS: EFIN QA

SUBJ: QATAR FOREIGN RESERVE ASSETS (C- ER-3-57220)

REF: STATE 067409

1. QATAR DIRECTOR OF FINANCE STATES HIS COUNTRY PRESENTLY HOLDS INVESTMENT PORTFOLIO IN U. S. PROPER AMOUNTING TO ABOUT \$10 MILLION. THIS REPRESENTS LESS THAN 10 PERCENT OF QATAR'S TOTAL FOREIGN RESERVE ASSETS. DOLLAR PORTFOLIO HAS BEEN LEFT TOTALLY INACTIVE SINCE 1964, PRINCIPALLY BECAUSE QATAR GOVERNMENT FELT POOR PERFORMANCE U. S. STOCK MARKET AND U. S WITHHOLDING TAX MADE FURTHER INVESTMENT IN THE U. S. UNATTRACTIVE. IN ADDITION TO \$10 MILLION HELD IN U. S., QATAR ALSO HOLDS ABOUT

\$11 MILLION IN EURODOLLAR INVESTMENTS. FINANCE DIRECTOR DISCOUNTED ANY INVOLVEMENT HIS GOVERNMENT IN RECENTLY CURRENCY CRISIS, POINTING OUT THAT FOR QATAR, DOLLAR HOLDINGS RELATIVELY SMALL PORTION OF TOTAL FOREIGN ASSETS. NEITHER DID FINANCE DIRECTOR SEEM OVERLY CONCERNED ABOUT QATAR'S FOREIGN EXCHANGE LOSSES ON THE DOLLAR, SAYING THAT RELATIVELY HIGH INTEREST RATES

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IN U. S. AND IN EURODOLLAR MARKET WERE SUFFICIENT TO OFFSET EXCHANGE LOSSES. FINANCE DIRECTOR CONFIRMED, HOWEVER, THAT QATAR BUYING HEAVILY IN GERMAN MARKS (DM) AND SWISS FRANCS. CURRENT MARK HOLDING ESTIMATED TO BE ABOUT 200 MILLION D. M. FOREIGN ASSETS OF

QATAR GOVERNMENT MANAGED BY FOUR MAN GOVERNMENTAL COMMITTEE ASSISTED BY EXPERT ADVICE FROM MERCHANT BANKERS, AS FOLLOWS: FOR DOLLARS, HAMBROS IN NEW YORK; FOR WERLING, BARING BROTHERS IN LONDON; FOR DM, DRESDNER BANK; AND FOR SWISS FRANCS, THE UNION BANK OF SWITZERLAND.

2. LOCAL QATAR BRANCH OF FIRST NATIONAL CITY BANK OF NEW YORK REPORTS NO PRIVATE SHIFT OUT OF DOLLARS DURING RECENT CURRENCY CRISIS. RATHER, WEALTHY QATARIS SEEMS TO HAVE MOVED OUT OF DOLLARS FOLLOWING ORIGINAL SMITHSONIAN AGREEMENT IN DECEMBER 1971. WE NOTE, HOWEVER, REPORT AMEMBASSY MUSCAT (KUWAIT 1379) THAT BRITISH BANK (NATIONAL AND GRIDLAYS WHICH OWNED 30 PERCENT BY FNCB) MENTIONED IN CONFIDENCE THAT ITS DOHA BRANCH HAD RECENTLY BEE APPROACHED BY PARTY WISHING SELL \$500,000 IN U. S. DOLLARS

3. BELIEVE BEST DETAILED INFORMATION ON QATAR FOREIGN RESERVE POSITION BEST OBTAINED FROM IMF WASHINGTON. QATAR ONLY RECENTLY BECAME IMF MEMBER AND AS PART OF MEMBERSHIP PROCESS HAD TO SUPPLY IMF WITH DETAILED DATA ON ITS RESERVE POSITION.
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